Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Consolidated Application for Authority	)	
to Provide In-Region, InterLATA Services	)	WC Docket No. 02-148
in Colorado, Idaho, Iowa, Nebraska	)	
and North Dakota	)	
	)	

DECLARATION OF CHRIS FRENTRUP
ON BEHALF OF WORLDCOM, INC.

Based on my personal knowledge and on information learned in the course of my duties, I, Chris Frentrup, declare as follows:

I. INTRODUCTION AND SUMMARY

1. My name is Chris Frentrup. I am employed by WorldCom, Inc. ("WorldCom") as a Senior Economist in the Public Policy Analysis Group of the Federal Advocacy organization. In that position, I am responsible for analyzing economic issues relating to telecommunications industry regulation and public policy, and assisting in the development and advocacy of WorldCom's public policy positions. I have filed declarations in review of several previous Bell company 271 applications. I have also participated in the development and advocacy of the HAI Model, a model used in the estimation of telecommunications network costs.

2. This Declaration comments on the benchmarking methodology Qwest uses to support its recurring unbundled network element (UNE) rates in Idaho, Iowa, Nebraska, and North Dakota. This methodology neglects to take account of the sales of exchanges Qwest

has had in Idaho, Iowa, and North Dakota, and also fails to accurately reflect the relative minutes of usage in each of the states. These two errors result in inflated UNE rates for each of these states - loop rates are overstated by 1 percent in Idaho, 3 percent in Iowa, and 9 percent in North Dakota, and switch usage rates are overstated by 35 percent in North Dakota and 20 percent in Nebraska.

II. BACKGROUND

3. Qwest's recurring UNE rates were set in cost proceedings in each of the five states for which it is seeking approval under section 271 in this application. However, Qwest relies only on the rates set by the Colorado Public Utility Commission. For the other states, Qwest is proposing rates that are below the rates set by the state commissions, based on a benchmark comparison with the Colorado rates.

4. To compute the benchmark for the loop rates in Idaho, Iowa, Nebraska, and North Dakota, Qwest multiplies the statewide average UNE loop rate adopted in Colorado by the ratio of Colorado loop costs to the state's loop cost, as those costs are determined by the Commission's Synthesis Model (SM).[1] To derive the rate for the different zones in the states, Qwest multiplies the ratio of this revised statewide average rate to the originally approved statewide average rate by the rates for the individual zones.

5. Qwest performs a similar operation to derive a new switch usage rate. First, Qwest derives the ratio of each state's total non-loop costs to Colorado non-loop costs, as determined by the modified SM. It then multiplies that ratio by the total non-loop rate for

1 The SM was developed by the Commission to determine universal service costs. To determine UNE costs, modifications to the SM are needed to remove retail overheads, and to spread the remaining wholesale overhead costs among all elements. The SM as modified in this manner has previously been used by the Commission to perform its benchmark analysis.

Colorado to determine each state's allowed total non-loop rate.[2] If that allowed rate exceeds the state's approved non-loop rates – and in every case it does – Qwest resets the shared transport rate to the Colorado rate, retains the state's port rate, and adjusts the switch usage rate so that the new rates in total equate to the allowed total non-loop rate.

III. QWEST'S BENCHMARK METHODOLOGY FAILS TO ADJUST FOR THE EXCHANGES SOLD IN IOWA, IDAHO, AND NORTH DAKOTA

6. Qwest's use of the adjusted SM for the purpose of computing the benchmark suffers from a serious flaw: Qwest has sold a number of the exchanges that are included in the SM. Since these exchanges have been its higher cost more rural exchanges, the adjusted SM results in overstated costs in those states where Qwest has sold its exchanges. In fact, of the five states included with the application, Qwest sold exchanges in three of them – Idaho, Iowa, and North Dakota. Since none of the exchanges in Colorado or Nebraska were sold, the Colorado and Nebraska SM costs are not misstated. However, in Idaho, Iowa, and North Dakota, removal of high cost exchanges from the SM will reduce the resulting loop and non-loop costs in those states, reducing the rates that are allowed under the benchmark methodology Qwest uses.

7. Correctly reflecting the sale of exchanges in the SM would require rerunning the model with the sold exchanges and their attendant demand removed. WorldCom does not have access to the wire center demand level data used in the SM, but a first approximation to the effect of the sale of these exchanges can be obtained by removing the sold

2 The total non-loop rate was computed as one port charge, plus the switch usage rate applied to a basket of 1200 originating and 1200 terminating local minutes and 370 combined state and interstate long distance minutes, plus the shared transport rate applied to that same basket of minutes. Qwest makes assumptions about how much of its local traffic is intraoffice, and how much of its traffic is tandem transport to determine the exact number of minutes to which its rates apply. These assumptions are given in detail in the Declarations of Jerrold L. Thompson included in

wire centers from the results files produced for the SM by the Commission.[3] This will provide only an approximation, however, because removing the sold exchanges will, at a minimum, result in a modified interoffice transport network, as those exchanges will no longer need to be included on the network. In addition, there may be changes in the numbers of trunk ports needed, which would change the cost of switching. Thus, the adjustments WorldCom identifies here are likely to slightly understate the true effect of these sold exchanges on the benchmark analysis.

8. WorldCom obtained the SM expense modules containing the results for these three states, adjusted them to obtain UNE rates,[4] and zeroed out the sold exchanges.[5] These modifications lowered the benchmark for loop rates by 1 percent in Idaho, 3 percent in Iowa, and 9 percent in North Dakota. Similarly, these modifications lowered the benchmark for total non-loop rates by 0.5 percent in Idaho, 2 percent in Iowa, and 13 percent in North Dakota. Thus, the rates set by Qwest for these three states using its benchmark analysis are overstated by at least these percentages.

IV. QWEST'S BENCHMARK DEMAND LEVELS ARE INCONSISTENT WITH COMMISION PRECEDENT

Qwest's 271 application.

3 The wire center demand was provided in the Universal Service proceeding under proprietary cover that prohibits use of the data for any other purpose. The SM results files are available at http://www.fcc.gov/wcb/tapd/hcpm.

4 In each of the wire center expense modules, retail overheads of 3.62 per line were removed from cell C34 of the 'Per Line' sheet. The resulting value was then copied from that cell to cell K69 of the '96 Actuals' sheet, and the entry in cell C34 of the 'Per Line' sheet was changed to zero. Cell C53 of 'Inputs' sheet was changed to 100%. Once these modifications have been made, the monthly per line loop, port, switch usage, signaling, and transport costs can be computed from the 'Investment Input' page.

5 The sold exchanges are: (1) Iowa – AKRNIAAE, ALSNIAAB, BNCRIAAB, BYDNIAAC, CLVLIAAA, CYDNIAAE, DOONIAAA, EKDRIAAE, ELGNIAAB, GRNVIAAB, GTBRIAAC, HULLIAAC, HWRDIAAE, IRTNIAAA, LAKTIAAB, LRMRIAAA, MCGRIAAE, MRHDIAAA, MRRYIAAA, RCRPIAAC, RCVYIAAC, SBLYIAAC; (2) Idaho – DRGSIDMA, TTONIDMA, VCTRIDMA; and, (3) North Dakota – ALXNNDBC, DNSTNDBC, FAMTNDBC, GWNRNDBC, LSBNNDBC, PMBNNDBC, ROLLNDBC, WLSTNDBC, WTCYNDBA, WYNDNDBA. The rows containing these wire centers in the 'Investment Input' sheet were deleted, and the monthly per line costs were computed.

9. The computation of a non-loop benchmark requires the combination of several rate elements that have different demand units. In its computation of an overall non-loop rate, Qwest includes a per-line per month port charge, a per minute switch usage charge, and a per minute shared transport rate, that is itself a combination of a tandem switch charge and a transport charge. Qwest assumes the same level of minutes in all states to compute a monthly per line non-loop charge.[6]

10. Use of a constant set of demand in all states is inconsistent with the methodology used by the Commission in prior benchmark analyses. For example, in its most recent 271 decision, the Commission used state specific demand data in New York and New Jersey to perform its benchmark analysis.[7] While the Commission stated that standardized demand assumptions might be reasonable, the only reason given by the Commission that would permit use of standard assumptions is the absence of state-specific demand data.[8]

11. State-specific demand data are available for all five of the states in this application. Data on dial equipment minutes (DEM) are available from the ARMIS 43-04 report.[9] Data on retail switched access lines are available in the ARMIS 43-08 report. In its 271

6 Specifically, Qwest assumes 1200 originating and termininating local minutes, and 370 toll and access minutes. Twenty five percent of local minutes are assumed to be intraoffice, and 20 percent of toll minutes are assumed to be tandem routed.

7 See Application by Verizon New Jersey Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Global Networks Inc., and Verizon Select Services Inc., for Authorization to Provide In-Region, InterLATA Services in New Jersey, WC Docket No. 02-67, Memorandum Opinion & Order, FCC 02-189, rel'd. June 24, 2002 at ¶ 53.

8 Id.

9 The DEM data are reported in row 1216. Total state data are reported in column c, and interstate data are reported in column d. The state data can be split into local and toll minutes based on data filed by the National Exchange Carrier Association for the year 2000, the latest year for which such data are available. Those data are contained in the file NETWU00.ZIP, which can be downloaded at http://www.fcc.gov/wcb/iatd/neca.html.

application, Qwest provides the number of resale, UNE-platform and unbundled loop lines it provides to resellers in each of the five states.[10] These data are presented in Table 1, attached.

12. As can be seen, the minutes of use per line varies substantially across these five states, with Colorado having relatively low minutes.11 North Dakota and Nebraska have substantially higher minutes per line. Substituting these state specific minutes per line into Qwest's computation of the benchmark rates results in an 11 percent reduction in the switch usage rate for North Dakota, and a 30 percent reduction in Nebraska. These changes are in addition to the reductions that would occur from the removal of the effect of sold exchanges.

V. CONCLUSION

13. Recognizing that its rates in Idaho, Iowa, Nebraska, and North Dakota were well in excess of the Colorado rates, even after adjusting for cost differences among the states, Qwest has correctly lowered its rates in those states. However, the methodology it used to lower its rates still results in recurring rates that are too high. The Commission should reject Qwest's 271 application until Qwest lowers its rates to reflect the sales of exchanges and the state-specific demand characteristics previously used by the Commission for its benchmark analyses.

14. This concludes my Declaration on behalf of WorldCom.

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10 See Qwest Brief at 19. There is a slight mismatch in the time periods for these two sets of data. The DEM data are reported for calendar 2001. The switched access line data in ARMIS 43-08 are reported as of year end. To correct for this mismatch, the line data used in this analysis employs an average of the data reported for year end 2000 and 2001. However, the CLEC line data reported by Qwest in its brief are line counts as of March 31, 2002. Since lines are likely to have grown over time, this would imply that the minutes of use per line are probably slightly understated. However, this understatement will alter the analysis presented here only to the extent that the CLEC lines were growing at a different rate in the individual states.

11 This analysis assumes that the DEM reported in ARMIS reflect both Qwest's and the CLECs' minutes, and that the lines reported in ARMIS reflect only Qwest's retail lines. Of course, to the extent that CLEC minutes are not included in the ARMIS data, or CLEC lines are reflected in the ARMIS data, this would result in even higher minutes per line.

I declare under penalty of perjury that the foregoing is true and correct. Executed on July 3, 2002.

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Chris Frentrup

TABLE 1

	2001 DEM			2001 Avg Lines					2001 DEM per Line				
	Total	State	Interstate		Unbundled Loops	UNE-P lines	Resale	Total Lines	Local	LD	State	Interstate	Total
CO	75,679	63,489	12,190	2,815,265	49,532	79,406	42,141	2,986,344	1,688	84	1,772	340	2,112
ID	15,332	12,932	2,399	581,804	4,417	11,438	9,194	606,853	1,721	55	1,776	329	2,105
IA	32,071	27,827	4,244	1,133,083	27,798	110,471	16,098	1,287,450	1,677	124	1,801	275	2,076
ND	7,969	6,881	1,088	214,842	13,181	21,149	7,796	256,968	2,091	141	2,231	353	2,584
NE	15,264	12,897	2,367	486,046	17,193	4,446	11,437	519,122	1,960	110	2,070	380	2,450

Sources: 2001 DEM are from ARMIS 43-04, row 1216
2001 Avg Lines are the average of 2000 and 2001 Total Switched Access Lines from ARMIS 43-08
Unbundled Loops, UNE-P lines, and Resale from Qwest Brief, Page 19

	2000 State DEM			
	LD	Local	% LD	% Local
CO	3004270	60658451	0.0471904	0.952809589
ID	391149	12347089	0.0307067	0.96929332
IA	1920054	25982739	0.0688123	0.931187749
ND	435159	6464780	0.0630671	0.936932921
NE	689651	12242788	0.0533272	0.946672782

Source: NECA data for 2000